

Netflix and personal movie finder essay sample



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1. What is NetFlix's long-run objective? How do they plan to achieve this objective? How would you assess their performance to date? As with the long-run objective, NetFlix is to attract as many as new clients, sustain them as paid as long as possible, enlarge its market shares in the DVD rental business, and finally make the firm go public. In order to achieve its long-run objectives, Netflix offers various services to increase their customers' loyalty. For example, when the customer first becomes a membership, he or she can enjoy a one-month free trial with unlimited DVDs. At the same time, Netflix takes advantage of the Marquee Queue and the Personal Movie Finder Service to diversify its services. Through the Marquee Queue, subscribers can list their own favorite queue, have more than one movie without due days and the top movie will be delivered automatically. Additionally, the Personal Movie Finder Service offers subscribers a platform to recommend movies individually. Also, NetFlix decides to use Revenue Sharing and Video-on Demand strategies to reduce its cost and increase its revenue. In this way the firm tries to sustain its required growth and increase its projected cash flows.

The firm's performance can be evaluated by the number of new subscriber and the sustainable customer rate. The high rate and proper number of new subscribers indicate that there is considerable number of subscribers kept in the service. Besides, we can use NPV to assess the company's performance. A positive NPV (cash inflow > cash outflow) of each new subscriber represents that Netflix makes profits from the service. However, a negative (cash inflow < cash outflow) of each new subscriber implies that NetFlix is losing money. Therefore, as to achieve NetFlix's long-run objectives, it

should ensure the number of new subscriber and the sustainable customer rate are high while the NPV of each subscriber is positive, which means that the firm is operating well. Conclusion:

From the analysis above, we can get to the conclusion that the current business model may not fit to NetFlix best. Right now NetFilx relies too much on its subscribers and its initial investment is so much that it bears enormous risks and its business flexibility is limited. Therefore, Netflix should improve its business model to increase its competitive advantages and get rid of the limitation of the customer base. As with IPO, we think it's not a good for NetFilx to go public because it is not wise to proceed IPO when the firm has not made profits yet. We think it should delay it and consider it again at least when the financial depression passes away and the NPV of each new subscriber is positive.